



ENVIRONMENTAL DEFENSE

finding the ways that work

January 31, 2006

Comments of Environmental Defense on the Climate Action Team Draft Report to the Governor and the Legislature, and the Economic Analyses

Environmental Defense appreciates this opportunity to comment on the Climate Action Team Draft Report to the Governor and the Legislature (Draft Report), as well as the economic analyses released by California Climate Change Center at UC Berkeley and the Center for Clean Air Policy.

Environmental Defense is a public interest advocacy organization with offices in Sacramento, Oakland, and Los Angeles, as well as other places around the country. We have a long-standing commitment to developing and promoting cost-effective policies to reduce the impacts of global warming. We view global warming as the greatest threat to the health and welfare of life on this planet, and we greatly appreciate California's leadership on this issue.

We are tremendously encouraged by the findings of the economic analyses, which demonstrate convincingly that the Governor's targets can be met at a net benefit to the California economy. This is fully consistent with our long-standing assertion that early action to reduce the severity of global warming will redound to California's benefit, encouraging innovation and adoption of new technologies within the state and creating new growth industries for renewable energy within California.

The Draft Report outlines a realistic and pragmatic blend of approaches that can be employed to meet the Governor's targets, including the Table I and II measures and the innovative Table III measures that can ensure that the targets will be met. We strongly endorse the call for a statewide mandatory reporting system for greenhouse gas emissions in California. Overall, we support the Draft Report, and we commend the Climate Action Team for a job well done.

The following comments reflect specific aspects of the report that we would like to highlight, either because we want to underscore our support for the approach taken or because we would like to suggest specific improvements or changes to the report recommendations.

- First, we urge you to amend the report to recommend that the Administration work with the Legislature to establish mandatory caps on greenhouse gas emissions in California rather than relying on targets alone. This should be part of the overarching recommendations in Chapter 10-1. While the existing targets are extremely valuable as a goal for the state, and will be particularly helpful in the planning and assessment of state programs and investments, only a mandatory cap with clear and transparent compliance requirements will create the appropriate incentives for private entities to invest in new technologies and improved business practices to reduce their greenhouse gas emissions.

The private sector needs predictability, and a long-term framework against which they can make serious investments and operational improvements.

- We appreciate the thorough analysis of emissions trading as a way of meeting the targets in the most cost-effective way possible. Our experience with a wide range of market-based programs from the acid rain program to Kyoto indicates that a well-designed trading program is likely to produce the desired environmental results with lowest compliance cost, the least administrative burden, and the least opposition from the regulated community. And it is the only approach that unleashes industry's capacity for technological ingenuity and entrepreneurial innovation, which is the key to a program that creates job and competitive advantage. We would like to highlight the finding of the California Climate Change Center economic analysis that "including a cap-and-trade program as part of the overall policy package is critical to achieving the Governor's targets at low cost (ES-5)."
- We greatly appreciate the analysis in the Draft Report of the potential environmental justice impacts of climate policy, including both trading and programmatic approaches. We agree that no implementation option should result in localized pollution hotspots, and we support strong protections to ensure that this does not happen as an unintended consequence of market based, voluntary or regulatory implementation options.
- We strongly support the view expressed throughout the Draft Report that greenhouse gas emissions from imported electricity must be accounted for.
- We strongly support efforts to reduce greenhouse gas emissions through water conservation, especially in Southern California, where water has to be imported from great distances. However, we strongly disagree with the proposal to construct additional storage as a way to reduce emissions.

Again, the economic analyses provide great reason for optimism. The California Climate Change Center study analyzed eight proposed policies in detail and found that they would achieve almost half of the Governor's 2020 targets while increasing Gross State Product by about \$60 billion and creating over 20,000 new jobs (ES-1). The Center for Clean Air Policy finds that the Governor's targets can be met at no net cost to consumers and likely at a net benefit in both 2010 and 2020 (page 2). Thus, rather than being a drag on the economy, meeting California's climate goals is both a tremendous opportunity for California to exercise leadership on a critically important global environmental issue while reaping significant economic and environmental benefits at home.

Conclusion

In closing, we thank the Climate Action Team for doing a very good job with the Draft Report, and look forward to continuing to work with the Administration and the Legislature to address this critical issue.

Sincerely,

Karen Douglas
Director, California Global Warming Initiative